

THE SERVICE LEVEL INTELLIGENCE COMPANY

**Ingenium**  
TECHNOLOGY

## How to use Service Level Management To save money

Massimo Cristini

itSMF Hungary Conference 2005

**itSMF**  
*The IT Service Management Forum*

GRUPPO  
**MPS**

- Background
- The Project
- The Results
- Return on Investment

 **Ingenium**  
TECHNOLOGY

 GRUPPO  
**MPS**

## Need for Service Level Management

- Increasing trend of mergers and acquisitions
  - Especially in the banking sector
- Increasing complexity of infrastructure
- More focus on customer satisfaction
- Requirement for contracts for service supply
  - Within a company as well as with external suppliers
  - Penalty / bonus payments in the terms of the contract



## Real Case Study

- Service departments in banks are no longer a COST Center but are becoming a PROFIT Center
- As Profit Center they **MUST** guarantee service levels
- Real Case : Monte Paschi di Siena



## *MPS at a glance*

- Founded in 1472 (Probably the oldest bank in the world)
- Agencies : 1800
- Employee : 30,000
- Customers : 4.5 Million
- First Bank group in Central Italy (30% market)
- Agencies : 1800
- Total Income 2002 : 4571 Million Euro
- Total Profit 2002 : 581 Million Euro



## The SLA project in MPS Group

Gruppo Monte dei Paschi di Siena instigated a project to **regulate the delivery of services** between the different entities inside and outside the group.

**Service Level Agreements (SLA's)** are today a fundamental component of the new structure, from both the organizational and operational point of view.

The adoption of **Service Level Intelligence** software and methodologies increased the effectiveness of both analysis and implementation of SLA's.



## Service Level Agreements

*"To really manage the quality of service received from an in-house organization or from an external service provider, **service level agreements are a must.**"*

*"A good service level agreement:*

- Provides permanence*
- Provides clarity*
- Serves as a communications vehicle*
- Guards against 'expectations creep'*
- Sets mutual standards for service*
- Defines how a level of service will be measured"*

*Source: Sturm, Morris and Jander in Foundations of Service Level Management*



## Why the SLA Model: Goals

The introduction of the SLA model had the following goals:

- Verify the conformance to the contracted level of service quality
- Optimise and maximise the effectiveness in service delivery
- Establish clear and agreed-upon rules in the relationship between Consorzio Operativo (provider) and the Group's companies (customer)



## The Service Level Agreement

The SLA is a *quantifiable and dynamic agreement* of the service quality evaluation, aiming to establish the best trade off between *quality levels* and *costs*, with the knowledge of each party's responsibilities

SLA  
Definition  
Parameters

- The service in place
- Metrics to be measured
- Time periods for data collection
- Key Performance Indicators (KPI's)
- Computation criteria
- Agreed-upon quality values (Thresholds)
- Weight of different indicators
- Reporting frequency and responsibilities

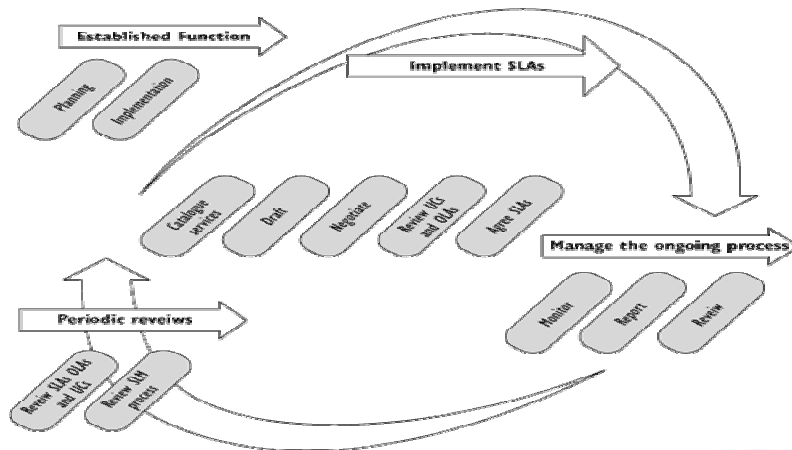
## The SLA Implementation

The SLA project selected a software solution able to:

- Interface and manage the **heterogeneous environments** involved (e.g. ICT, Back Office, Help Desk, Workflow, etc.)
- Perform **end-to-end simulation** (web services, TP, etc.) and **proactive monitoring** of the service levels achieved
- Provide **dedicated graphical tools** for modeling and configuring the services and their quality rules
- Support the parameters and requirements **typical of SLA's** (such as quality criteria, calendar, bonus/penalty, weights, exceptions, etc.)

# The SLA Management

- SLA Management is a cyclic process
- It must take into consideration both internal IT services and outsourced services



- Background
- The Project
- The Results
- Return on Investment

# The Project

The project was organized into sequential phases:

- *Phase 1*
  - *Analysis of objectives and services*
- *Phase 2*
  - *Implementation of the supporting platform*
- *Phase 3*
  - *Tuning of targets and conditions*
- *Phase 4*
  - *System in production*



## Phase 1 – Analysis of objectives and services

- Good analysis is fundamental to the success of the project
- Different requirements from technical to managerial must be accounted for
- Remember:  
“Not everything that can be measured is significant and not everything significant is measurable”
- The software selection process was undertaken as part of this phase



## Phase 2- Implementation of the supporting platform

- Technical implementation:
  - Connect the SLA Model to the existing data sources (such as databases, text file, manual inputs, protocols, etc.)
  - Configure the end-to-end service monitoring where required (mainly internet services)
  - Implement the first contract with a pilot customer, using trial objectives



## Phase 3 – Tuning of targets and conditions

- Measurements were taken prior to SLA implementation
- These were mapped to proposed SLA measurements and periods
- Interviews were performed with end users to assess the impact of each indicator on service quality
- The SLAs were tuned in line with the findings



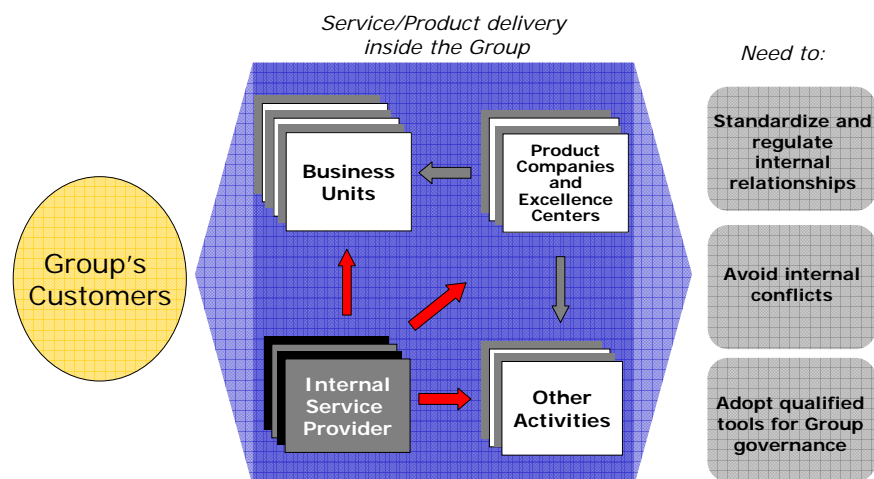


## Phase 4 – System in production

- Each service was defined and modelled along with their quality criteria
- Contracts were rolled out in a controlled manner until all customers were covered
- Analysis & pilot implementation took around 2 months to complete
- Full roll out completed within 6 months



## The Project Focus: Relationships



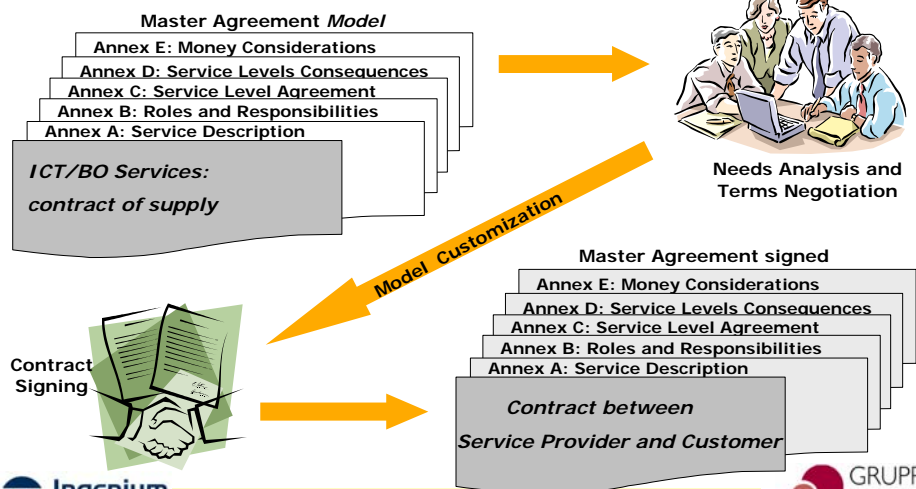
## The Project Scope

- ICT: Facility Management
- ICT: Information System supplying
- Support Services
- Back Office Services

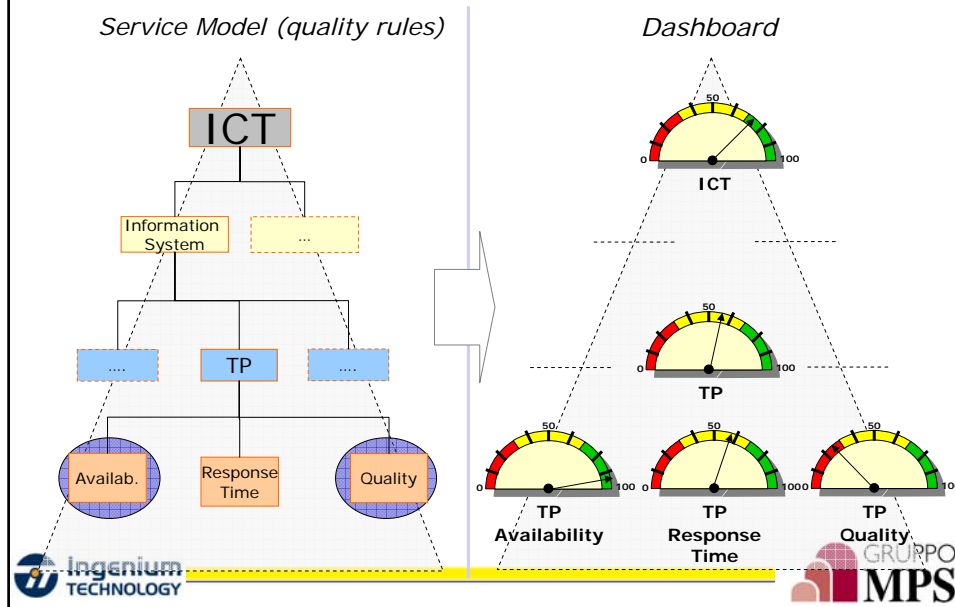


## The Master Agreement

The **Master Agreement Model** is a predefined set of documents, which are the reference used to define the *actual agreement* signed by the two parties.



## Reporting: *Dashboard*

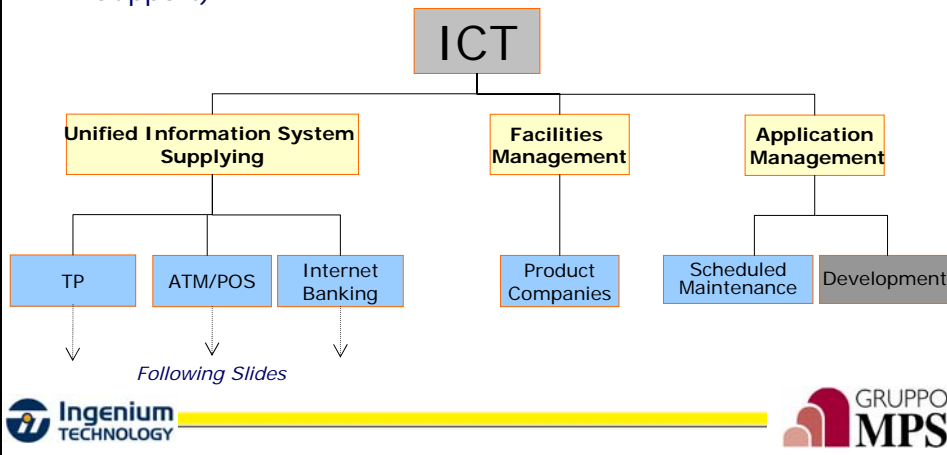


- Background
- The Project
- The Results
- Return on Investment

# SLA Model for ICT Services

The definition, measurement, and documentation of SLA's is based on a **hierarchical** model.

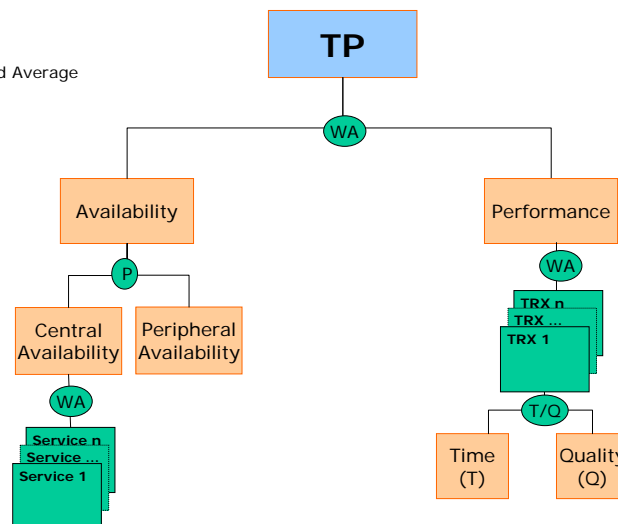
In this slide, and in the following, some of the defined models are represented for each type of services (ICT, Back Office, Support)



# ICT SLA: TP

Legend:

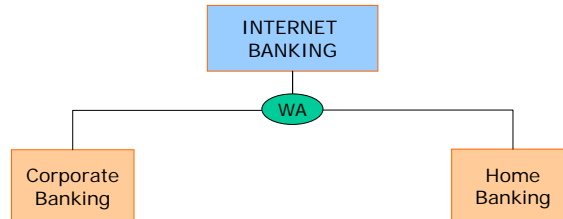
- WA Weighed Average
- P Product



## ICT SLA: Internet Banking

Legenda:

 Weighed Average



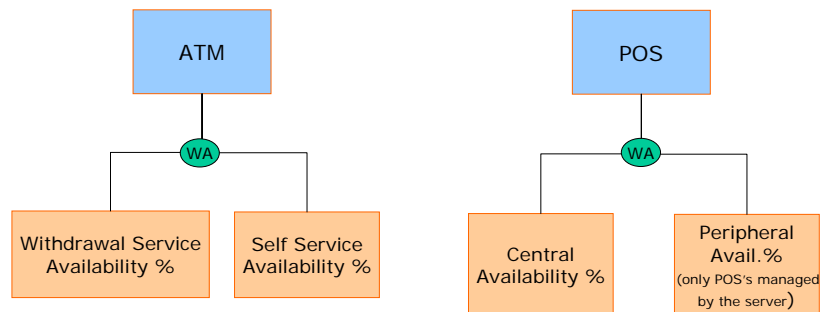
*Note: this data comes from active simulation using distributed probes*



## ICT SLA: ATM/POS

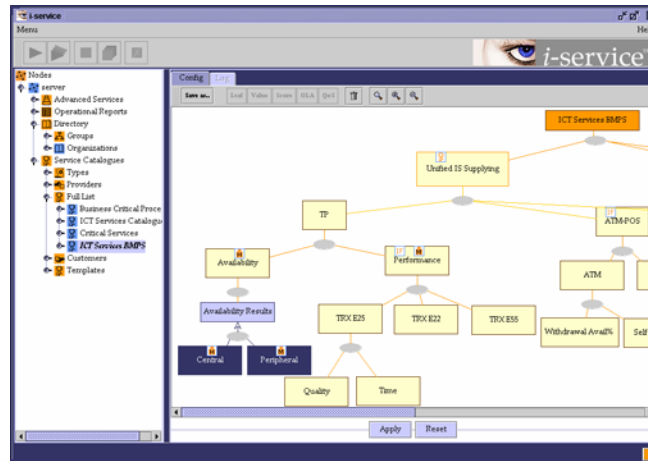
Legend:

 Weighed Average



## Implementation of the SLA Models

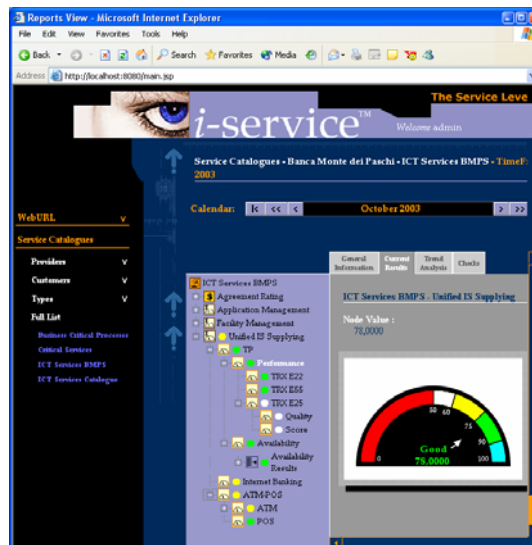
The results of the analysis were implemented in the *i-service*<sup>TM</sup> console, interactively defining the *hierarchical model*, the *computation rules* and the *quality criteria and targets*



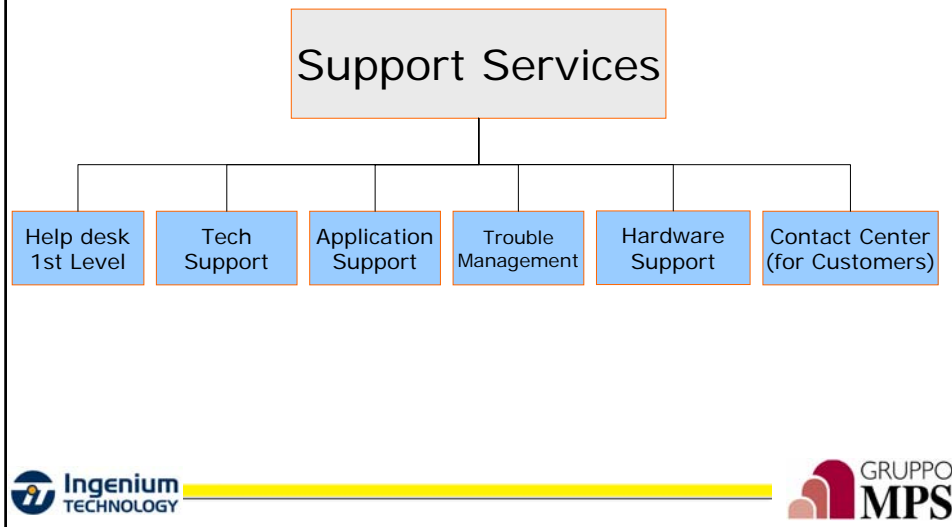
## SLA's Documentation

SLA's are then periodically, automatically documented on the web portal

Other SLA models follow in the next slides



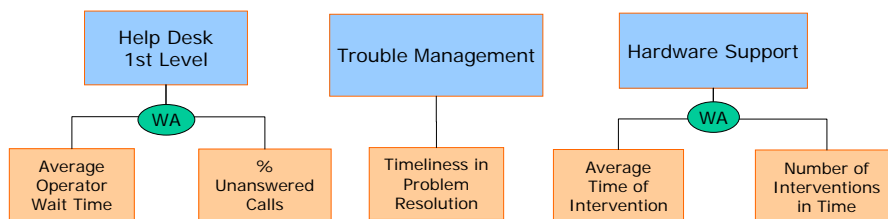
## SLA Model for *Support Services*



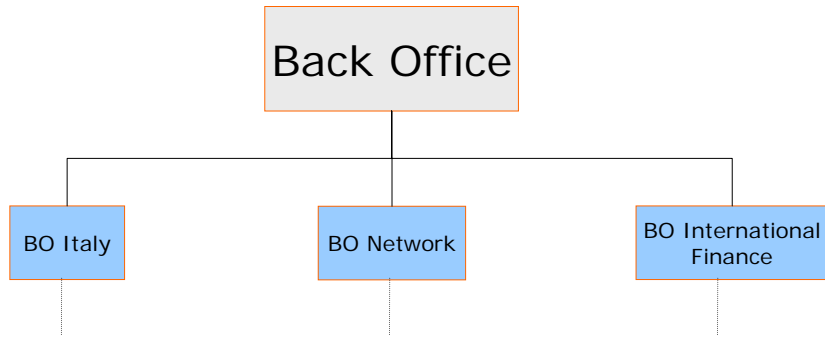
## SLA for Support

Legend:

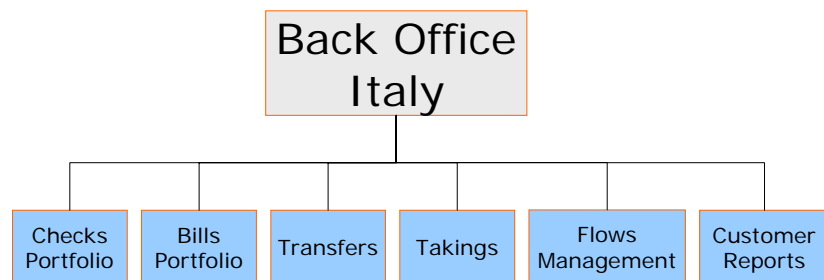
 Weighed Average



## SLA Model for *Back Office Services*

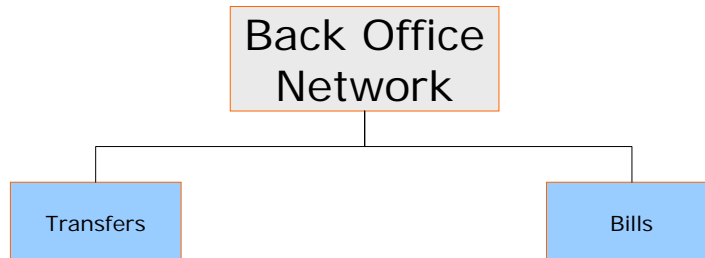


## SLA Back Office Italy





## SLA Back Office Network



## Benefits

- Service providers and the customers experienced substantial benefits from the solution.
  - Flexibility of the solution to manage multiple different types of information eased the whole service level reporting process
  - Formal reports, summary views, detailed indicators, and drill-down capabilities allow everyone to access the required information
  - A specific revision workflow was implemented, which enables the parties to quickly, safely and formally approve or dispute the conformance results before they are consolidated and published
  - The whole service model of the bank was defined including the generation of high level performance indicators
  - High level indicators on Infrastructure performance are monitored easily and appropriate alarms are generated when a quality threshold is breached
  - The versatile collection capability allowed the retrieval of data from different sources, covering the whole service provider process infrastructure
  - Internal conflicts within the organisation were formally standardised and prevented or resolved

- Background

- The Project

- The Results

- Return on Investment



## Return on Investment

*There were a number of ways in which MPSG saved money as a result of implementing the SLA project*

- Productivity improvements
  - Automation of report production
  - Easy analysis of reports via web portal
  - Simple to identify problem services and determine cause using drill down
  - MPSG were able to redeploy 2 FTEs to more productive duties
  - This is the most obvious way to recoup costs



## Return on Investment

- Service Resource Optimisation
  - Able to predict under and over achievement of SLA
  - Use workload balancing to ensure all contracts receive correct level of service
  - Optimise the allocation of service resources
  - Reduced or delayed expenditure on hardware or software



## Return on Investment

- Reduced Penalties
  - Penalties would be due if SLA missed
  - Proactive management virtually eliminated this
  - Saved significant money in the service provider budget
    - Although only “funny money” in the whole Group
  - Penalty process has driven up customer satisfaction levels



## Return on Investment

- Better management of suppliers
  - MPSG have many 3<sup>rd</sup> party service providers
  - All with complex contracts
  - Automatic contract rating ensures any penalties due are collected
  - Saves the Group *real* money



## Conclusion

- MPSG have implemented a highly sophisticated service level management system
- Using a software solution has significantly speeded up this process
- Customer satisfaction is improved
- As is Group governance effectiveness
- Productivity improvements and better supplier management are a welcome side effect
- This means project paid for itself within 12 months
- These savings will continue to be realised year on year



---

THE SERVICE LEVEL INTELLIGENCE COMPANY

**Ingenium**  
**TECHNOLOGY**

*Questions?*

Massimo Cristini

Sales Channel Manager  
Ingenium Technology  
Massimo.cristini@ingeniumtech.it  
Mobile : +39 335 3963591

